

HOUSING AUTHORITY OF THE CITY OF KELSO
Cowlitz County, Washington
April 1, 1994 Through March 31, 1995

Schedule Of Federal Findings

1. Officials Should Strengthen Controls Over Payroll Expenditure Reporting System And Only Charge Federal Programs For Time And Effort Which Benefit The Programs

During our review of the housing authority's personnel practices, we found time and effort charged to federal programs which was not necessary and reasonable to support the programs. These ineligible costs included charges to federal grants for unrecorded vacation and sick leave, nonrelated community events, and unearned pay as detailed below:

- a. Unrecorded Leave - We found inappropriate days charged to federal programs by the housing authority director. Time records show the director did not record vacation leave for two days when she was in Las Vegas on personal holiday, or for two days she worked at a nonprofit holiday bazaar. The director used housing authority time to support nonprofit organizations which do not provide a direct benefit to the housing authority's purpose. Our review disclosed a total of 23 days between January 1, 1994, and August 18, 1995, when she was away from work for these and other purposes without her leave balances being charged. Questioned costs for unrecorded leave was \$4,568.
- b. Unrecorded Sick Leave - While not provided for in current housing authority personnel policies, the practice at the housing authority is to record doctor appointments, which require an employee to be absent from their duties for two hours or less, as time worked. Since individuals are completely relieved of their duties, this time should be recorded as sick leave as provided for in policy. Questioned costs for unrecorded sick leave was \$1,636.
- c. Unearned Pay (lunch breaks) - Our interviews with staff disclosed that, while one-half hour was recorded for lunch, it was common practice to take an hour. Housing authority employees stated they didn't take their two fifteen-minute breaks in the morning and afternoon, but instead took the extra half-hour lunch. Since individuals are completely relieved of their duties during the lunch hour, this is not properly considered work time and should neither be compensated nor charged to federal programs. Questioned costs for unearned pay was \$13,106.
- d. Non-Housing Authority Related Business - Our interviews also disclosed the practice of holding AVON meetings during work hours twice a month. The time used for these meetings is not related to housing authority business and should not be charged to federal programs. Questioned costs for this time which did not support the programs was \$509.

Below are excerpts from the Consolidated Annual Contributions Contract between the U.S. Department of Housing and Urban Development (HUD) and the Housing Authority of the City of Kelso, which describe allowable program expenditures. The contract states in part:

Section 2 - Operating Receipts and Operating Expenditures

Operating expenditures shall mean all costs incurred by the HA for administration, maintenance and other costs and charges that are necessary for the operation of the project. (Emphasis ours.)

Section 11 - Use of Program Receipts (a) . . . Program receipts may only be used to pay program expenditures.

Title 29, Part 785 of the *Code of Federal Regulations*, Hours Worked Under the Fair Labor Standards Act of 1938 As Amended states in part:

Section 785.18 Rest periods of short duration, running from 5 minutes to about 20 minutes, are common in industry. They promote the efficiency of the employee and are customarily paid as working time. They must be counted as hours worked. Compensable time of rest periods may not be offset against other working time . . . (Emphasis ours.)

State statutes address the submission of false time sheets by the director as follows:

RCW 42.20.010 Misconduct of a Public Officer. Every public officer who shall -- (1) Ask or receive, directly or indirectly, any compensation . . . for any official service which has not been actually rendered . . . Shall be guilty of a gross misdemeanor.

RCW 42.20.050 Public Officer Making a False Certificate. Every public officer who, being authorized by law to make or give a certificate or other writing, shall knowingly make and deliver as true such a certificate or writing containing any statement which he knows to be false, in a case where the punishment thereof is not expressly prescribed by law, shall be guilty of a gross misdemeanor.

Housing authority policies define compensation as:

SALARY, WAGES, COMPENSATION . . . money paid from the [Housing Authority] Payroll Fund . . . to an employee of the [Housing Authority] in exchange for services actually performed for the [Housing Authority]. (Emphasis ours.)

Weaknesses in the housing authority's reporting system allowed a total of \$19,819 charges to federal programs for time and effort which was unnecessary for project operations. The housing authority should deduct \$5,420 of this amount from employee leave balances, leaving a total of \$14,399 in net questioned costs. Of the remaining ineligible costs for the Low Rent Program (CFDA 14.850), \$8,487 were inappropriately reimbursed by HUD. Similar reimbursements of ineligible costs in the Section 8 Program (CFDA 14.857) amounted to \$5,912. Additionally, the errors which resulted from reporting these ineligible costs caused material misstatement of the housing authority's Statement of Operating Receipts and Expenditures, and Statement of Income and Expense and Changes in Accumulated Surplus for the Low Rent Program. For various reasons, housing authority employees believed the ineligible costs were Allowable. Calculations for the ineligible payroll expenditures are detailed in the Schedule of Questioned Costs, and accompanying Supporting Detail.

We recommend the board of commissioners establish policies which clearly require leave be taken for any personal time off, and improve internal controls over the reporting of

payroll expense to HUD by ensuring the accuracy and eligibility of expenses reported. We also recommend that the use of housing authority time and facilities be restricted exclusively to public purposes. In addition, we recommend the leave balances of the affected employees be adjusted by \$5,420 to reflect actual usage of vacation and sick leave included in the total questioned/ineligible costs charged to the federal awards. In the director's case, where the leave balance is not sufficient to cover the leave taken, we recommend the housing authority recover \$784 in overpayments from her. Finally, we recommend the housing authority repay HUD the remaining \$14,399 in ineligible costs charged to the grant programs shown in our Schedule of Questioned Costs.